

UNITED STATES OF AMERICA  
POSTAL REGULATORY COMMISSION  
WASHINGTON, DC 20268-0001

Competitive Product Prices  
Global Plus 1C Contracts (MC2012-6)  
Negotiated Service Agreement

Docket Nos. CP2013-39

PUBLIC REPRESENTATIVE COMMENTS ON REQUEST OF  
THE POSTAL SERVICE TO ADD A FUNCTIONALLY EQUIVALENT GLOBAL PLUS  
1C NEGOTIATED SERVICE AGREEMENTS  
(January 22, 2013)

The Public Representative hereby provides comments pursuant to Order No. 1620.<sup>1</sup> In this Order, the Commission established the above referenced docket to receive comments from interested persons, including the undersigned Public Representative, on the Postal Service's intent on entering into an additional Global Plus 1C contract and have the contracts included within the Global Plus 1C product on the grounds of functional equivalence to a previously approved baseline agreement.<sup>2</sup>

In Order No. 1151, the Commission authorized the addition of the Global Plus 1 product to the competitive product list and determined that the Global Plus 1 contracts filed in Docket Nos. CP2012-12 and CP2012-13 should be included within the product.<sup>3</sup> Subsequently, the Commission approved the Global Plus 1C products, and included the contracts filed in Docket Nos. MC2012-6, CP2012-12, and CP2012-13. *Id.*

In this proceeding, the Postal Service requests to have an additional Global Plus 1C contracts included within the Global Plus 1C product. *Order* at 1-2. The Postal

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<sup>1</sup> PRC Order No. 1620, Notice and Order Concerning an Additional Global Plus 1C Contract, January 11, 2013.

<sup>2</sup> Notice of the United States Postal Service of Filing a Functionally Equivalent Global Plus 1C Negotiated Service Agreement and Application for Non-Public Treatment of materials Filed Under Seal, January 10, 2013 (Notice). Page 1.

<sup>3</sup> PRC Order No. 1151, Order Adding global Plus 1C to the Competitive Product List and Approving Related Global Plus 1C Agreements, Docket Nos. MC2012-6, CP2012-12, and CP2012-13, January 19, 2012.

Service seeks these inclusions on the grounds of functional equivalence to a previously approved baseline agreement.<sup>4</sup> *Id.*

The Global Plus 1C contract described in Docket No. CP2013-39 is scheduled to become effective on January 27, 2013, upon the termination of the agreements that are the subject of Docket Nos. CP2012-13 and CP2012-12, respectively. The contract is expected to be in effect for approximately 1 year where termination is either the date prior to the date in January 2014 that Canada Post Corporation makes changes to published rates affecting Qualifying Mail<sup>5</sup> or, in the event of inaction, January 31, 2014.<sup>6</sup>

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<sup>4</sup> See PRC Order No. 1151, Order Adding Global Plus 1C to the Competitive Product List and Approving Related Global Plus 1C Agreements, Docket Nos. MC2012-6, CP2012-12, and CP2012-13, January 19, 2012.

<sup>5</sup> See Article 3 of the Agreement which outlines the requirements for mail to be considered as Qualifying Mail. Page 2-3.

<sup>6</sup> PRC Order No. 1620, Notice and Order Concerning an Additional Global Plus 1C Contract, January 11, 2013. Page 3.

## COMMENTS

The Public Representative has reviewed the Postal Service's Request and the Statement of Supporting Justification (Attachment 3), and the contracts. The Public Representative has also reviewed the supporting financial models filed separately under seal for each of the Global Plus 1C contracts that accompanied the Postal Service's Request. Based upon that review, the Public Representative concludes that the Global Plus 1C contract is functionally equivalent to the contracts filed in Docket Nos. CP2012-12 and CP2012-13, which serve as the baseline agreements for comparison under the Global Plus 1C grouping.<sup>7</sup>

*Product Costs.* Pursuant to 39 U.S.C. § 3633(a), the Postal Service must demonstrate that competitive product rates (1) do not result in market dominant products subsidizing competitive products, (2) ensure that each competitive product covers its attributable costs; and (3) enable competitive products as a whole to cover an appropriate share of the institutional costs of the Postal Service. In this proceeding, the Postal Service asserts that "the instant Agreement and the baseline agreements are functionally equivalent because they share similar cost and market characteristics."<sup>8</sup> The financial model accompanying the Postal Service's Request indicates that the cost and cost coverage are similar to previous contracts deemed functionally equivalent by the Commission in previous cases.

*Functional Equivalence.* In its Request, the Postal Service explains that the instant Global Plus 1C contract is the immediate successors to the contracts in Docket Nos. CP2012-13 and CP2012-13.

The Postal Service states that these Global Plus 1C contracts "fits within the parameters outlined by the Governors' Decisions establishing and authorizing the rates for Global Plus 1C agreements." *Notice* at 6. The Postal Service also addresses differences between this contract and the contracts that are subject of Docket Nos.

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<sup>7</sup> See PRC Order No. 1151, Order Adding Global Plus 1C to the Competitive Product List and Approving Related Global Plus 1C Agreements, Docket Nos. MC2012-6, CP2012-12, and CP2012-13, January 19, 2012, page 7-8.

<sup>8</sup> PRC Order No. 1620, Notice and Order Concerning an Additional Global Plus 1C Contract, January 11, 2013. Page 3.

CP2012-12 and CP2012-13. The differences include non-inclusion of Global Bulk Economy (GBE) service, and revisions to Articles 3, 4, 7, 12, 13, 17, 18, 25, 27, 28, 30, 31, and 34.<sup>9</sup> However, the Postal Service does not consider these “specified differences affect either the fundamental service the Postal Service is offering or the fundamental structure of the contract.” *Id.* at 7. It therefore asserts that the instant contracts are functionally equivalent in all pertinent aspects to the contracts that are the subject of Docket Nos. CP2012-12 and CP2012-13. *Id.* at 7.

The Public Representative agrees that these differences do not alter the conclusion that the Global Plus 1C contracts is functionally equivalent.

The Public Representative respectfully submits the foregoing comments for the Commission’s consideration.

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<sup>9</sup> See Notices of the United States Postal Service of Filing a Functionally Equivalent Global Plus 1C Negotiated Service Agreement and Application for Non-Public and Application for Non-Public Treatment of Materials Filed Under Seal for Docket Nos. CP2013-37 and CP2013-39. Page 6.